

**HENDERSON COUNTY EMERGENCY  
COMMUNICATION DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2011**

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**INDEPENDENT AUDITORS' REPORT, FINANCIAL**  
**STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2011**

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**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT  
(a component unit of Henderson County, Tennessee)  
ROSTER OF BOARD OF DIRECTORS  
JUNE 30, 2011**

Kenneth Vineyard - Chairman

Allan Maness - Vice Chairman

Ida Myracle -Treasurer

Emily Blankenship - Secretary

Harry Scott

Joseph Tate

Donnie Craig

Aundra Moffitt

Jim Medlin

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Our discussion and analysis of Henderson County Emergency Communication District's (the District) financial performance will offer readers of the District's financial statements a narrative overview and review of the financial activities of the District for the fiscal year ended June 30, 2011. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets (on pages 7 through 8) provide information about the activities of the District's finances.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 10 - 13.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplemental information concerning the District is required by the Tennessee Emergency Communication Board. This other supplemental information can be found on pages 14 – 15 of this report.

**Comparative Data**

**Statement of Net Assets**

	June 30, 2011	Percent of Total	June 30, 2010	Percent of Total
Current and other assets	\$ 423,757	55.27%	\$ 405,957	80.14%
Capital assets	342,990	44.73%	100,624	19.86%
Total assets	<u>766,747</u>	<u>100.00%</u>	<u>506,581</u>	<u>100.00%</u>
Current liabilities	22,500	100%	16,168	100%
Total liabilities	<u>22,500</u>	<u>100%</u>	<u>16,168</u>	<u>100%</u>
Net assets				
Invested in capital assets	342,990	46.09%	100,624	20.52%
Unrestricted	401,257	53.91%	389,789	79.48%
Total net assets	<u>\$ 744,247</u>	<u>100.00%</u>	<u>\$ 490,413</u>	<u>100.00%</u>

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

The changes in the District's net assets are described below:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenues</b>		
Operating revenues	\$ 325,461	\$ 298,386
<b>Expenses</b>		
Contracted services	243,249	278,203
Supplies and materials	16,073	14,107
Other charges	5,000	5,373
Depreciation	31,938	27,941
Total expenses	<u>296,260</u>	<u>325,624</u>
<b>Operating income (loss)</b>	29,201	(27,238)
<b>Nonoperating revenue (expenses)</b>	<u>224,633</u>	<u>99,218</u>
<b>Change in net assets</b>	253,834	71,980
<b>Net assets - beginning of year</b>	<u>490,413</u>	<u>418,433</u>
<b>Net assets - end of year</b>	<u>\$ 744,247</u>	<u>\$ 490,413</u>

The District had a profit of \$253,834 compared to a profit in the prior year of \$71,980. This current year's profit was due to the District receiving capital asset grants of \$198,166 for relocation expenses.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 2011, the District had \$342,990 invested in capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. Capital assets (before accumulated depreciation) increased in the current year due to a physical relocation of the District. Accumulated depreciation increased by \$31,338 (current year depreciation less disposals). Additional information on capital assets is in Note 6.

**Debt**

At year-end, the District had no debt.

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES**

The District is dependent on telephone service charges collected by various phone companies and remitted to the District as well as operating grants and capital grants from the State Emergency Communication Board.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$365,666 (including grants of \$188,460 which will be used to help pay mapping expenses, dispatcher training expenses, operating expenses, and capital asset purchases) and expenses of \$365,666.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

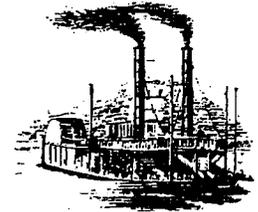
This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District at 170 Justice Center Drive Suite D, Lexington, Tennessee.

Pamelia Tolley  
Director

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**WILLIAMS, JERROLDs, GODWIN & ASSOCIATES, PLLC**  
Certified Public Accountants

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**Independent Auditors' Report**

Board of Directors  
Henderson County Emergency Communication District  
Henderson, Tennessee

We have audited the accompanying financial statements of Henderson County Emergency Communication District (the District), a component unit of Henderson County, Tennessee, as listed in the table of contents, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2011, and the changes in financial position, and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 14 – 15) are presented for purposes of additional analysis and are not required parts of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Williams, Jerrolds, Godwin & Associates, PLLC*

October 12, 2011

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 24,735
Investments	172,732
Accounts receivable	17,055
Due from Tennessee Emergency Communications Board	<u>209,235</u>

**TOTAL CURRENT ASSETS** 423,757

**CAPITAL ASSETS**

Buildings and improvements	25,185
Office equipment	10,293
Communications equipment	403,467
Vehicles	<u>12,800</u>
	451,745
LESS: accumulated depreciation	<u>(108,755)</u>

**NET CAPITAL ASSETS** 342,990

**TOTAL ASSETS** \$ 766,747

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	<u>\$ 22,500</u>
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**NET ASSETS**

Invested in capital assets	342,990
Unrestricted net assets	<u>401,257</u>

**TOTAL NET ASSETS** 744,247

**TOTAL LIABILITIES AND NET ASSETS** \$ 766,747

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>OPERATING REVENUES</b>	
Emergency Telephone Service Charges	\$ 115,939
State Emergency Communication Board - shared wireless charges	66,731
State Emergency Communication Board - operational funding	<u>142,791</u>
<b>TOTAL OPERATING REVENUES</b>	<u>325,461</u>
<b>OPERATING EXPENSES</b>	
Contracted Services	243,249
Supplies and Materials	16,073
Other Charges	5,000
Depreciation	<u>31,938</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>296,260</u>
<b>NET OPERATING REVENUE (EXPENSE)</b>	<u>29,201</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment Income	4,274
Interest Income	193
State Emergency Communication Board - Grants & Reimbursements	<u>220,166</u>
<b>NONOPERATING REVENUES (EXPENSES) - NET</b>	<u>224,633</u>
<b>CHANGE IN NET ASSETS</b>	253,834
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>490,413</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 744,247</u></u>

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
(a component unit of Henderson County, Tennessee)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from surcharges and other revenues	\$ 329,870
Cash payments to suppliers for goods and services	(280,490)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	49,380
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grants and reimbursements	22,000
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(251,804)
Certificates of deposit redemption	122,959
<b>CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(128,845)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	193
Investment income	4,274
Reinvested in investments	(657)
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>	3,810
<b>DECREASE IN CASH</b>	(53,655)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	78,390
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 24,735

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<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net operating revenue (expense)	\$ 29,201
Adjustments to reconcile operating revenue to net cash provided by operating activities:	
Depreciation	31,938
<b>Changes in Assets and Liabilities</b>	
Accounts receivable	4,409
Accounts payable	(16,168)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 49,380

<u>Reconciliation of purchase of capital assets with Statement of Cash Flows</u>	
Capital asset additions per Statement of Net Assets	(274,304)
Accounts payable - purchase of capital assets	22,500
Purchase of capital assets per Statement of Cash Flows	(251,804)

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**1. GENERAL INFORMATION**

**Component unit**

The District provides 911 emergency assistance to persons living in Henderson County. The District is a component unit of Henderson County. Accordingly, this financial data is incorporated into the County's financial statements. The District is governed by nine members who are appointed by the Henderson County Commission. The County Commission pays all salaries and benefits for District personnel and furnishes the District's operating headquarters. The District reimburses the County Commission a portion of personnel salaries, which is shown in expenses under contract with government agencies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**GASB Conformity**

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement 20 - "Election of a Reporting Method" - required the Henderson County Emergency Communication District (the District) to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of the FASB regardless of the issue date for proprietary type funds. The District elected to adopt only the provisions of the FASB prior to 1989.

**Measurement Focus and Basis of Accounting**

The District uses the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Cash and cash equivalents**

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

**Capital Assets**

All capital assets of the District are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of fixed assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

**Operating revenues and expenses**

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

**Fund Accounting**

The accounts of the District are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

**Proprietary Funds**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**3. REVENUES**

Revenues are derived from telephone customers in the area served by the District. Each telephone company collects the fees on the monthly telephone bills (\$.65 per residence line and \$2.00 per business line) and remits them to the District.

**4. RISK MANAGEMENT**

All of the District's fixed assets are located in or on facilities owned by Henderson County. The District owns all office and communications equipment. The District is exposed to loss of personal property by fire, accident or an act of God, as well as tort liabilities and errors and omissions. The District is insured against these risks under the Henderson County government's general insurance coverage. It is also insured against possible loss related to acts of District key officers or directors by a separate blanket fidelity bond carried by the District. The District has had no insurance settlements in excess of insurance coverage during the past three years.

**5. CONTRACT AGREEMENT**

In a prior year, the District entered into an agreement with Henderson County, Tennessee, whereby the Board of the District is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed that the County would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The District has agreed to remit funds to the County to cover a portion of employees' wages and benefits. This year the District remitted \$196,814 to the County.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<b>Balance 7/1/2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2011</b>
Capital assets being depreciated:				
Buildings and improvements	\$ 25,786	\$ -	\$ 600	\$ 25,186
Office equipment	10,293	-	-	10,293
Communications equipment	129,162	274,304	-	403,466
Vehicles	12,800	-	-	12,800
Total capital assets being depreciated	<u>178,041</u>	<u>274,304</u>	<u>-</u>	<u>451,745</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,712)	(630)	(600)	(16,742)
Office equipment	(10,028)	(265)	-	(10,293)
Communications equipment	(38,517)	(30,403)	-	(68,920)
Vehicles	(12,160)	(640)	-	(12,800)
Total accumulated depreciation	<u>(77,417)</u>	<u>(31,938)</u>	<u>(600)</u>	<u>(108,755)</u>
Total capital assets, net	<u>\$ 100,624</u>	<u>\$ 242,366</u>	<u>\$ (600)</u>	<u>\$ 342,990</u>

Depreciation expense of \$31,938 was recorded by the District.

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over the District resources follows.

**7.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. The District has no policy that further limits allowable investments. At June 30, 2011, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The District's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

**7.B. BUDGET APPROPRIATIONS**

In accordance with State law, the board of the District must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The District's expenses were within appropriations at the line-item level.

**8. ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Emergency Telephone Service Charge	\$ 137,690	\$ 115,939	\$ (21,751)
State Emergency Communication Board - Shared wireless charges	39,119	66,731	27,612
Operational funding	12,000	142,791	130,791
<b>TOTAL OPERATING REVENUES</b>	<u>188,809</u>	<u>325,461</u>	<u>136,652</u>
<b>OPERATING EXPENSES</b>			
<u>Contracted Services</u>			
Addressing/Mapping Expenses	100	-	100
Advertising	250	220	30
Audit Services	2,650	2,650	-
Contract with Government Agencies	266,089	196,814	69,275
Fees Paid to Service Providers	4,700	2,973	1,727
Lease/Rental - Communications Equipment	22,700	18,260	4,440
Maintenance and Repairs-Communications Equipment	3,640	-	3,640
Maintenance and Repairs-Buildings and Facilities	1,000	55	945
Maintenance and Repairs-Office Equipment	21,610	21,473	137
Maintenance and Repairs-Vehicles	1,500	804	696
<u>Supplies and Materials</u>			
Office Supplies	5,000	3,643	1,357
Uniform and shirts	1,500	1,150	350
Utilities-General Telephone	9,000	8,971	29
Utilities-Cell Phones and Pagers	2,400	2,309	91
<u>Other Charges</u>			
Board Meeting Expenses	550	313	237
Dues and Memberships	300	252	48
Employee Testing and Exams	390	390	-
Premiums on Surety Bonds	750	195	555
Public Education	200	-	200
Service Awards	550	362	188
Training Expenses	12,000	625	11,375
Travel	1,960	1,950	10
Internet Charges	990	913	77
<u>Depreciation</u>			
Depreciation	-	31,938	(31,938)
<b>TOTAL OPERATING EXPENSES</b>	<u>359,829</u>	<u>296,260</u>	<u>63,569</u>
<b>NET OPERATING REVENUE (EXPENSE)</b>	<u>(171,020)</u>	<u>29,201</u>	<u>200,221</u>
<b>OTHER INCOME (EXPENSE)</b>			
Investment income	4,429	4,274	(155)
Interest income	131	193	62
TECB-Grants and Reimbursements	166,460	220,166	53,706
<b>OTHER INCOME (EXPENSE) NET</b>	<u>171,020</u>	<u>224,633</u>	<u>53,613</u>
<b>CHANGE IN NET ASSETS</b>	-	253,834	253,834
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>490,413</u>	<u>490,413</u>	-
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 490,413</u>	<u>\$ 744,247</u>	<u>\$ 253,834</u>

**HENDERSON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Henderson County, Tennessee)**  
**SCHEDULE OF DETAILED EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Operating Expenses

Contracted Services

Advertising	\$ 220
Audit Services	2,650
Contracts With Government Agencies	196,814
Fees Paid to Service Providers	2,973
Lease/Rental - Communications Equipment	18,260
Maintenance and Repairs-Buildings and Facilities	55
Maintenance and Repairs-Office equipment	21,473
Maintenance and Repairs-Vehicles	804
<u>Total Contracted Services</u>	<u>243,249</u>

Supplies and Materials

Office Supplies	3,643
Uniforms and shirts	1,150
Utilities-General Telephone	8,971
Utilities-Cell Phones and Pagers	2,309
<u>Total Supplies and Materials</u>	<u>16,073</u>

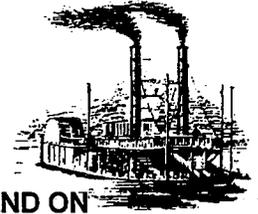
Other Charges

Board Meeting Expenses	313
Dues and Memberships	252
Employee Testing and Exams	390
Premiums on Surety Bonds	195
Service Awards	362
Training Expenses	625
Travel Expenses	1,950
Internet Charges	913
<u>Total Other Charges</u>	<u>5,000</u>

Depreciation

Depreciation	31,938
<u>Total Depreciation</u>	<u>31,938</u>

<u>Total Operating Expenses</u>	<u>\$ 296,260</u>
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Board of Directors  
Henderson County Emergency Communication District  
Lexington, Tennessee

We have audited the financial statements of Henderson County Emergency Communication District (the District), a component unit of Henderson County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

**2011-01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS**

The client's general ledger was materially misstated because personnel did not adjust accounts receivable and accounts payable at year-end. Therefore, material adjustments were required for the financial statements to be materially correct at year-end.

**RECOMMENDATION:** Personnel should properly record all financial transactions as they occur. Infrequent transactions should be properly classified to present financials in accordance with generally accepted accounting principles.

**MANAGEMENT'S RESPONSE:** We record all financial information as accurately as possible. During this fiscal year, we received money granted to our District after the fiscal year ended on June 30, 2011, and was unable to make this recording because we did not know the exact amount that was being received. In the future, we will keep our ledger open until receipt, allowing us to record transactions as they occur. We will strive to improve our accounting and financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described above to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### DISPOSITION OF PRIOR AUDIT FINDINGS:

None.

The District's response to the finding identified in our audit is described above. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, and the State of Tennessee Comptroller's office and is not intended to be and should not be used by anyone other than these specified parties.

*Williams, Jenolds, Helms, Associates, PLLC*

October 12, 2011